



# ARIZONA STATE RETIREMENT SYSTEM

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*Paul Matson*  
Director

## SUMMARY OF THE PUBLIC MEETING OF THE ARIZONA STATE RETIREMENT SYSTEM (ASRS) INVESTMENT COMMITTEE

**HELD ON**  
**Monday, April 11, 2011**

**9:30 a.m.**

The Arizona State Retirement System (ASRS) Investment Committee (IC) met at 3300 N. Central Avenue, 14<sup>th</sup> Floor, Phoenix, AZ 85012. Mr. Tom Connelly, Chair of the IC, called the meeting to order at 9:32 a.m.

### **1. Call to Order; Roll Call; Opening Remarks**

Present: Mr. Tom Connelly, Chair  
Mr. Christopher Harris, Vice Chair  
Mr. Larry Trachtenberg (Arrived at 9:39 a.m.)  
Prof. Dennis Hoffman (via telephone)

A Quorum was present for the purpose of conducting business.

### **2. Approval of Minutes of the February 14, 2011 Public IC Meetings**

**Motion:** Mr. Christopher Harris moved the minutes of the February 14, 2011 Public IC meeting be adopted. Mr. Dennis Hoffman seconded the motion.

By a vote of 3 in favor, 0 opposed, 0 abstention and 1 excused, the motion was approved.  
(Note: Mr. Larry Trachtenberg arrived as the vote on this item was concluding)

### **3. Presentation, Discussion, and Appropriate Action Regarding the Investment Related Matters in the ASRS Board Governance Policy Handbook**

Mr. Paul Matson began the discussion by providing a brief overview of the subject matter; adding that the ASRS Board Governance Policy Handbook is formally reviewed and modified as needed annually. Mr. Matson noted that this discussion serves as an opportunity to review and discuss proposed changes to the ASRS Board Governance Policy Handbook. Mr. Matson addressed each of the four recommended changes, briefly highlighting the cited changes.

Changes noted:

Item #1: Expand the duties and responsibilities of the IC to include an annual review of the ASRS Investment Policy Statement (IPS).

Mr. Matson proceeded to item #3 which clarified the use of the Asset Class Consultants.

Mr. Matson then discussed item #2, the change from four (4) to two (2) asset class committees, noting that the consolidation of four committees to two committees would:

1. Improve ASRS investment decision-making process by developing a synergistic framework which provides the ability to evaluate similar or closely related types of investments in a single committee construct.
2. Improve the efficiency, effectiveness and time allocation of Trustees, staff and consultants.
3. Simplify logistics and meeting coordination.

Mr. Matson then discussed item #4, noting that this will modify the duties and responsibilities of the Director. Changes noted are minor; these changes specifically address the SRSP, SSDP, and the replacement of the verbiage "retention" with "extension" throughout the document. Mr. Matson stated that the verbiage revision and the addition of item #28 allows for a more efficient process.

Mr. Tom Connelly reiterated, for clarification, that this revision is a procurement or administrative initiative, which gives the authority to extend current contracts but does not change the procurement of new contracts. Mr. Matson concurred and further stated that upon closer review of the proposed revisions, he would recommend to the IC that item #29 "*Approve the selection, retention and termination of ASRS investment managers/partners,*" not be deleted as proposed, but rather moved to the position of #31 in the list; citing similar reasons as the verbiage changes of "retention."

Mr. Harris recommended that the last sentence of Section I. Asset Class Committees, "*The IC Chair will approve the use of the ASRS general consultant for any asset class committee manager searches,*" remain and not be removed as presented. Mr. Matson concurred and stated it would be included in revised final version to be reviewed and approved by the IC.

Mr. Larry Trachtenberg stated his preference to have at least two Trustees be on the Asset Class Committees; this would provide an opportunity for another IC Trustee or Board Trustee to participate in a search. Mr. Connelly expressed that this was also important to him and bringing other Board Trustees into the investment decision-making process would be positive. Mr. Trachtenberg recognized the possibility of a quorum issues.

Discussions continued regarding the organizational structure of the proposed asset classes. Mr. Connelly suggested that it would be a good idea to re-visit this subject in greater detail prior to going to the Board. Mr. Connelly as well stated that the following would need to be addressed: accountability, reporting and a feedback loop. Mr. Harris agreed and stated his preference for having such in place prior to approval of this change.

Mr. Trachtenberg also suggested that consideration be given to the circulation of the asset class meeting minutes to the IC. Mr. Dokes noted that this information was readily available via his asset class committee updates and that such correspondence may contain confidential manager or deal level information that could harm the ASRS or its investment managers.

Mr. Matson suggested that discussion be held at a future regular or ad hoc IC meeting with respect to the concept of collapsing the current four Asset Class Committees into two Asset Class Committees for possible IC and subsequent Board approval.

**Motion:** Mr. Christopher Harris moved to approve and recommend to the Board the approval of three (3) modifications to the Board Governance Policy Handbook as listed below:

1. To review Annually the ASRS Investment Policy Statement;
2. Clarify the use of Asset Class Consultants as outlined in Section I; and
3. Modify the duties and responsibilities of the Director as outlined in Section D.

Mr. Larry Trachtenberg seconded the motion.

By a vote of 4 in favor, 0 opposed, 0 abstention and 0 excused, the motion was approved.

#### **4. Presentation, Discussion, and Appropriate Action Regarding Sourcing of Private/Public Investment Opportunities**

Mr. Matson stated that this agenda item has been added to the agenda per a Trustees request to better understand sourcing strategies. Mr. Matson provided a brief overview of the subject.

Mr. Matson discussed the typology section of Page 2 of the memorandum. Mr. Harris asked if this was a comprehensive list, and specifically pointed out the RIAs. Mr. Matson stated that each strategy will have alternative ways of accessing the various strategies, adding this was not an exhaustive list and remains open for new ideas.

#### **5. Presentation, Discussion, and Appropriate Action Regarding the ASRS Fund Positioning and Rebalancing Policy**

Mr. Dokes introduced the agenda item and stated that the policy (IMD SIP004) was modified to better clarify the process and activities related to both total fund strategic asset allocation rebalancing and asset class portfolio positioning.

Mr. Connelly suggested that this policy be added to the IC annual review process. Mr. Matson agreed. Mr. Connelly suggested that this review be performed in November of each year. Mr. Matson agreed that this would be added as a “soft agenda item,” further suggesting it be a Q4 agenda item.

Mr. Harris asked Mr. Allan Martin, partner & Lead Consultant, New England Pension Consultants for his opinion on the policy being presented. Mr. Martin responded that what the ASRS is doing regarding rebalancing is appropriate.

Mr. Matson suggested that staff revise the policy to incorporate (1) an annual review of the policy by the IC, (2) verbiage clarifying that the rebalancing and repositioning of active managers to zero is acceptable, and (3) consider synthetic rebalancing methodologies which may ultimately be included in the policy.

#### **6. Presentation, Discussion, and Appropriate Action Regarding Director’s Asset Class Committee Update**

Prior to the beginning of the discussion of this Agenda item, Mr. Matson and Prof. Hoffman departed the meeting.

Mr. Dokes began the discussion by providing a brief overview of the asset class committee meetings which have occurred since the last IC meeting on February 14, 2011. Mr. Dokes noted that one (1) REC and two (2) PEC meetings have been held, and provided a synopsis of the meetings' outcomes.

Mr. Dokes as well provided an update to the current Request for Proposal (RFP) for the Private Markets area, noting that staff was currently scheduling the meetings in which the RFP would be discussed. Mr. Connelly asked if it would be acceptable to participate in these meeting via telephone conference call. Mr. Dokes responded in the affirmative and added that information and materials are expected to be sent either electronically or in hardcopy format.

#### **7. Presentation, Discussion, and Appropriate Action Regarding the Investment Management Division's (IMD) House Views**

Mr. Dokes provided a brief overview of the April 2011 IMD Investment House Views.

#### **8. Future Agenda Items**

Mr. Dokes stated that future IC agenda items will likely include a review of the ASRS Securities Lending Program Extraction Plan which is being developed and an IMD/IC Investment Symposium covering two or three topics which would be of interest to the IC, Director, and CIO.

#### **9. Call to the Public**

No members of the public requested to speak; the meeting adjourned at 11:53 a.m.

Respectfully submitted,

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Regina Landeros-Thomas, Secretary Date

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Gary Dokes, Chief Investment Officer

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Date